



Wisconsin Manufacturers & Commerce

Wisconsin Manufacturers'
Association • 1911

Wisconsin Council
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Wisconsin State Chamber
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TO: Assembly Committee on Biofuels & Sustainable Energy

FROM: Scott Manley, Environmental Policy Director

DATE: January 16, 2008

RE: Assembly Bill 682 - Renewable Fuel Mandate

Wisconsin Manufacturers & Commerce (WMC) has significant concerns regarding the impact of Assembly Bill 682 on Wisconsin businesses, motorists and the environment, and respectfully requests that members of the Assembly Committee on Biofuels & Sustainable Energy oppose this legislation.

WMC is the state's largest business trade association, with over 4,000 members in the manufacturing, service, health care, retail, energy and insurance sectors of our economy. WMC is dedicated to making Wisconsin the most competitive state to do business in the nation, and toward that goal, we support consistent, cost-effective and market-driven policies.

WMC supports the development of renewable fuels, and the creation of a statewide business climate where all industries, including the ethanol industry, will flourish. WMC also believes that commodity markets, including the motor fuel market, will deliver the lowest price to consumers when the market forces of supply and demand are allowed to operate with minimal government interference.

Unfortunately, we believe Assembly Bill 682 will lead to significant distortions in the motor fuel market resulting in much higher gas prices for Wisconsin motorists, as well as the businesses who rely upon our highway system for their supply and distribution chains. We further believe the bill will ultimately make Wisconsin a less competitive state to do business by creating problems for Wisconsin-based engine and outdoor equipment manufacturers, and by adding to our state's environmental regulatory burden.

I. AB 682 WILL SIGNIFICANTLY INCREASE WISCONSIN GAS PRICES

Assembly Bill 682 mandates that the percentage of motor fuel sold in Wisconsin be at least 10% renewable beginning in 2009, increasing to 25% renewable by 2025. There are a number of reasons why the approach taken in this bill will lead to substantially higher gas prices.

In essence, AB 682 is a thinly disguised corn ethanol mandate. For example, the only practical way to meet the bill's 10% renewable fuels target by 2009 is to put 10% ethanol in virtually every gallon of gas sold

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in the state. As such, the bill is fraught with all of the market distortion concerns associated with an outright E-10 fuel mandate. These distortions to the market and the related price increases for Wisconsin motorists only get worse as the mandate increases to 25%.

Under the federal RFS requirements, there is at least some flexibility in meeting national goals to negotiate competitive ethanol purchase prices. For example, under the federal scheme, it might be cheaper to provide higher percentages of ethanol in other states due to transportation or other factors. In addition, refiners can now increase or reduce the amount of ethanol depending on the price of ethanol, which interjects market forces to restrain ethanol price increases. AB 682 precludes that option because the only viable means to meet the 10% mandate is to put ethanol in all conventional gasoline. This, in turn, gives ethanol producers market power in Wisconsin to extract higher purchase prices for ethanol, that will invariably lead to higher gasoline prices for Wisconsin motorists. In effect, AB 682 is a hidden gas tax for Wisconsin motorists by robbing refiners of the flexibility to determine where and how much ethanol is used based price, and instead mandates its use at a set percentage of fuel sales in Wisconsin.

As the mandated percentages increase, the distortions in the market only get worse. Although AB 682's 10% mandate creates market distortions and higher prices, refiners can meet that mandate by using corn ethanol in conventional gasoline. But refiners have little ability to affect the market decisions made by consumers relative to E-85 consumption. This creates a compliance problem when the law dictates 15%, 20% and 25% renewable fuel mandates. For example, at a 15% RFS, the following levels of E85 sales would be required to comply with AB 682.

If the % RFS attributable to E10 sales is:	Then gallons of E85 sales must be at least	% Increase needed over 2006 E85 sales
4	317,447,059	13,802
5	288,588,235	12,547
6	259,729,412	11,293
7	230,870,588	10,038
8	202,011,765	8,783
9	173,152,941	7,528
10	144,294,118	6,274
Total Ethanol Needed	367,950,000	

As the table above notes, the percentage increases in E-85 needed to meet the AB 682 mandate even at 15% RFS is not feasible, and certainly not within the ability of refiners to control, as consumers have generally opted against purchasing E85. Approximately 2% of vehicles titled in Wisconsin as of January 1, 2007 were capable of burning E85, and of those

vehicles, consumers averaged less than 2 gallons of E-85 consumption per month. Refiners only option to cover the shortfall resulting from a lack of E-85 sales under a 15% RFS would involve purchasing renewable fuel credits. The availability of those credits is speculative at this time, but if available, the price could be very expensive. Any premium charged for those credits will be passed on to consumers in the form of higher gas prices.

It is noteworthy that ethanol producers, who meet the bill's definition of "refiners," in addition to having pricing power associated with a state mandate, will be granted a credit windfall under the bill. This results in ethanol producers winning a double-billing lottery for the same gallon of ethanol. For example, gasoline refiners must purchase ethanol at elevated prices to meet a state mandate. In turn, for each gallon sold, the ethanol producer generates a credit for that percentage above the mandated RFS (e.g., a 15% RFS results in an 85% credit for each gallon of pure ethanol sold). Since gasoline refiners will have no choice but to purchase these limited credits to meet the RFS, the ethanol producers can extract more money for the same gallon of ethanol already sold. This amounts to another gas tax driving up fuel costs for Wisconsin motorists.

The bill also provides disincentives for investments in Wisconsin's fuels infrastructure that will also have a long-term adverse impact on prices. AB 682 specifically targets those refiners who conduct business in this state through Wisconsin-based terminals. It therefore discourages investment in Wisconsin fuel supply infrastructure and Wisconsin terminal operations. It encourages the inefficient sale of fuel trucked in from terminals outside the state. The bill essentially punishes those companies who have already invested in transport and storage systems to meet Wisconsin's consumer demand. The result is very likely less investment in a Wisconsin infrastructure that could produce more efficient delivery of gasoline to Wisconsin. Inefficiency in delivery system translates into higher fuel prices in Wisconsin.

If it is more economical for refiners to shift fuel supply to other markets, Wisconsin, which is already at the end of the pipeline, could face supply disruptions - which in turn leads to higher gas prices for the consuming public under basic supply and demand economics.

II. AB 682 WILL LEAD TO UNINTENDED ADVERSE IMPACTS ON WISCONSIN ENGINE AND OUTDOOR EQUIPMENT MANUFACTURERS.

Manufacturing is a critical component of our economy, and accounts for more than \$44 billion in economic output each year -- nearly one-fourth of all goods and services in our state. In 2005 alone, Wisconsin manufacturers exported more than \$14 billion in goods to other countries. Hundreds of thousands of Wisconsin families depend either directly or indirectly on a healthy manufacturing sector for their livelihood.

There are approximately 500,000 workers in Wisconsin's manufacturing sector, including many who are employed in the engine manufacturing and outdoor equipment manufacturing sectors. These jobs, which include both union and non-union workers, pay among the highest wages in our workforce, with salaries averaging over \$44,000 per year.

We therefore believe it is critically important that policymakers, however well-intended, avoid adopting laws that threaten the competitiveness of Wisconsin engine and equipment manufacturers. However, our members have expressed serious concerns regarding the impact of ethanol blends above 10% on the functionality of their products.

Specifically, engine manufacturers are concerned that the higher combustion temperatures associated with ethanol blends above 10% result in increased wear on cylinder walls, diminished ability to maintain engine lubrication, and degradation of seals resulting in fuel line problems.

We are also told that the oxygenating properties associated with higher ethanol blends result in leaner combustion, causing carburetion problems leading to decreased engine performance and improper function. In some cases, retrofit kits would likely be required to allow engines to run properly at higher ethanol blends.

Because of these engine wear and performance concerns, manufacturers warn their customers against using fuel with an ethanol content above 10% in their owners manuals. WMC believes that mandating ethanol blends beyond this level will create warranty and product reliability problems for Wisconsin-based manufacturers. As noted above, these manufacturers are a critical sector of our state's economy, and we cannot afford to adopt regulations that diminish their ability to compete in the national and international marketplaces.

Furthermore, because Wisconsin engine and outdoor equipment manufacturers cannot afford to make boutique products for dozens of states with conflicting renewable fuel policies, a national solution represents a much better approach to this issue. Following a uniform and consistent federal policy would ensure that Wisconsin manufacturers are not disadvantaged by having to comply with two separate layers of state and federal fuel policy.

III. AB 682 WILL ADD TO WISCONSIN'S ENVIRONMENTAL REGULATORY BURDEN BY INCREASING EMISSIONS OF OZONE-FORMING POLLUTANTS
Studies conducted by the US EPA indicate that ethanol-blended fuel increases levels of two air pollutants responsible for ozone formation. Evaporative emissions associated with ethanol result in higher volatile

organic compound (VOC) emissions, and combustion of ethanol blends leads to increased levels of nitrogen oxide (NOx) emissions. Because of air quality concerns, the federal Clean Air Act prohibits blending more than ethanol 10% ethanol for conventional motor fuel.

The Wisconsin DNR issued a report in 2005 describing the adverse impact an ethanol mandate would have on Wisconsin air quality. In its report, the DNR equated an E10 mandate with the amount of NOx pollution resulting from a 350 Megawatt coal-fired power plant. The DNR further pledged to require Wisconsin businesses to pay the regulatory costs associated with the additional ethanol pollution from motor vehicles.

Promises to turn a blind eye toward this additional pollution are generally not helpful manufacturers, because promises cannot stop the additional pollution from impacting the ozone monitors throughout our state - and the ozone monitors are what drive our manufacturers' regulatory burden. WMC is particularly concerned by mandating additional ozone pollution at a time when the EPA recently proposed to significantly tighten the ozone standard, placing many more Wisconsin counties and employers at risk of paying the ozone penalty.

IV. CONCLUSION

In conclusion, WMC believes the considerable cost of Assembly Bill 682 to motorists and Wisconsin businesses far outweigh any benefits associated with this legislation. Rather than adopting unrealistic and unattainable state-only renewable fuel mandates, WMC urges lawmakers to consider policies that align with federal energy law. Wisconsin is home to thousands of high-paying jobs in the engine and outdoor equipment manufacturing sectors, and there are many more jobs at companies who supply and support these industries. We cannot afford to jeopardize any of these jobs by adopting policies that make it more difficult for these companies to compete. Nor can we afford to add to our state's considerable environmental regulatory costs by mandating additional ozone pollution. For these reasons, WMC urges Committee Members to oppose passage of Assembly Bill 682.

Thank you for your thoughtful consideration of industry's position with respect to this legislation. Please feel free to contact me if you have any questions, or if I can provide you with additional information, at (608) 258-3400 or smanley@wmc.org.

January 15, 2008

VIA E-MAIL

The Honorable Eugene Hahn
Chair
Assembly Biofuels and Sustainable Energy Committee
Wisconsin Assembly
Madison, WI 53708

Re: **EMA Opposition to Assembly Bill 682**

Dear Chairman Hahn:

The Engine Manufacturers Association (EMA) is the trade association representing the major international manufacturers of internal combustion engines including those compression-ignition, diesel-fueled engines used in on-highway and nonroad equipment as well as spark-ignited gasoline-fueled engines used in ground care and utility equipment. In fact, several of our 29 member companies are based in Wisconsin.

EMA and its member companies support the introduction and use of sustainable and renewable biomass fuels provided that such fuels meet applicable specifications and are fully compatible with existing and future engine and emissions control technology. We have worked to support national and international standards for biodiesel fuel as well as studies needed to assess the impact of ethanol blends on engines and emissions.

In reviewing Assembly Bill 682 that is before your committee, we are concerned that certain provisions of the bill are contrary to good public policy and the successful transition to renewable biofuels. For that reason, we strongly recommend that the bill not be approved by your committee in its present form.

Specifically, we see the following issues with the proposed legislation:

- The bill allows the Department of Agriculture to adopt and approve "any fuel that can substitute for petroleum-based diesel fuel" as biodiesel fuel. Today's diesel engines must meet high performance and strict emissions standards and require the use of high quality fuels. Engine manufacturers only approve the use of biodiesel fuels meeting applicable ASTM specifications in their engines. The State of Wisconsin should only allow the use of biodiesel fuels that meet ASTM 6751 specifications and the soon to be adopted biodiesel blend specifications. New biomass-derived diesel fuels are being developed and evaluated on an ongoing basis. Fuels that have not been approved by engine manufacturers can harm the engine as well as damage emissions control systems.

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- The legislation does not specify maximum biodiesel fuel content but simply establishes a mandate for retailers to sell a certain volume of biodiesel fuel. EMA currently recommends that a maximum 5% biodiesel content (B5) be used. The bill language would allow, and perhaps promote, the sale of B100 or other high blends and will create an unequal and varied diesel fuel composition and quality throughout the state. This will have a negative impact on vehicle and equipment owners, engines and emissions. A consistent, high quality, low-blend biodiesel fuel throughout the state is a more desirable outcome.
- Similarly, the proposed legislation requires an increase in the ethanol content of gasoline in the state. This has the potential to cause damage to the many existing and future spark-ignited engines that are used throughout Wisconsin. Ethanol levels above 10% are not compatible with current spark-ignited engines unless they were specifically designed and manufactured to run on fuels with high ethanol content (e.g., E85 flexfuel vehicles). The poorly constructed language again places no restrictions or parameters on the maximum ethanol content of gasoline available for general use and will create an unacceptable degree of variability.
- Finally, the method to calculate the percentage of renewable fuel sold does not appear to be valid since it requires the use of all renewable fuels (including biodiesel) but does not include diesel fuel as a component of the total average volume of motor vehicle fuel.

Mr. Chairman, engine manufacturers are working to address the issues of renewable fuels on a national level, and several important initiatives were adopted in the 2007 Energy Bill passed by Congress and signed by the President. Since engines, equipment, and vehicles are manufactured centrally and marketed and used throughout the nation, EMA believes that it is imperative that all fuels conform to national standards. The Energy Bill has a number of provisions to increase the use of biofuels and renewable fuels while requiring needed quality standards and national consistency. The bill also includes an important study to determine the effects of mid-level ethanol blends on engines and emissions, a call for national biodiesel standards and specifications, and several other initiatives to ensure engine and emissions control compatibility and increase the use of high quality renewable fuels.

Until those important studies are completed, we believe it is premature for Wisconsin to move forward with Assembly Bill 682, especially in its present form. EMA stands ready to work with your committee and the authors to help Wisconsin address the renewable fuels issue where appropriate.

Sincerely,

Joseph L. Suchecki

Joseph L. Suchecki
Director, Public Affairs

CC: Biofuels and Sustainable Energy Committee Members



State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

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Matthew J. Frank, Secretary

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January 14, 2008

Senator Pat Kreitlow
Room 10 South - State Capitol
Madison, WI 53703

Representative Scott Suder
Room 21 North - State Capitol
Madison, WI 53703

Subject: Senate Bill 380

Dear Senator Kreitlow and Representative Suder:

I am writing to express my support of SB 380 and its companion bill in the Assembly. Department staff has reviewed the bill and find it to be a progressive and important step toward meeting the Governor's 25% by 2025 renewable energy goal. This goal was established through Governor Doyle's July 7, 2006 Declaration of Energy Independence and was one of 3 far-sighted initiatives launched that day to make Wisconsin the nation's leader in renewable energy.

In addition to the beneficial impacts to Wisconsin's energy situation, the Governor's goals for renewable energy in the state will have beneficial impacts for public health and climate change. Conventional diesel fuel is a source of significant air pollution in the state and nation. The increased use of biodiesel and other biofuels required by SB 380, however, will reduce green house gas, VOC, and particulate matter emissions and will lead to cleaner air in the state. Specifically, SB 380's requirements for the use of biodiesel and other biofuels in Wisconsin, will result in reduced emissions of:

- Carbon monoxide and carbon dioxide;
- Aromatic hydrocarbons, benzofluoranthene; benzopyrenes (hazardous air pollutants that contribute to ozone and particulate matter formation); and
- Direct (tailpipe) emissions of particulate matter.

Why are these benefits important? As you may be aware, significant progress has been made in improving ozone air quality in the state:

- Ozone levels in Wisconsin in 2003 - 06 had improved so much that, in June 2007, the Department submitted a request to the U.S. Environmental Protection Agency (EPA) to redesignate 8 of 10 ozone nonattainment counties to attainment status.
- Recent modeling for the state indicates no ozone non-attainment areas for the state by 2009.
- The adoption of two critical new DNR air quality rules last year - the Clean Air Interstate rule and the NOx RACT rule - will further significantly reduce NOx levels in the State, a critical factor in reducing ozone formation.

However, almost all of this recent progress has been borne by utilities and industry. Your bill, if adopted, will result in critical reductions to particulate matter and ozone "precursor" emissions in Wisconsin from the mobile source sector. Further, SB 380 positions the state well to meet additional federal Clean Air Act standards proposed for ozone and particulate matter.

I applaud your leadership in introducing SB 380 and the companion Assembly bill and look forward to its rapid passage.

Sincerely,

Matt Frank, Secretary
Department of Natural Resources

Cc: Senator Russ Decker
Representative Michael Huebsch

WISCONSIN PIPE TRADES ASSOCIATION

11175 West Parkland Avenue • Milwaukee, WI 53224-3135 • OFC: (414) 359-1310 • FAX (414) 359-1323

Testimony in support of AB 682

**Assembly Committee on Biofuels and Sustainable Energy
Room 300 Northeast 10:00 am
January 16, 2008**

**Fran Faber, Business Agent
Wisconsin Pipe Trades Association**

Good morning Chairman Hahn and members. Thank you for the opportunity to testify in support of AB 682 on behalf of the nearly 9,000 working men and women of the Wisconsin Pipe Trades Association (WPTA). I also want to recognize Sen. Kreitlow and Rep. Suder for introducing this good public policy.

My name is Fran Faber and I have been in the trades for more than 44 years. I currently serve as a business agent for Steamfitters Local 601.

As a country and as a state, we need to reduce our dependence on foreign oil. In addition to offsetting our dependence, this bill has the potential to create jobs and build the economy of Wisconsin.

For our members in the plumbing, steamfitting and sprinkler fitting industries this legislation creates an important opportunity for jobs. In addition to those who work in the pipe trades, Wisconsin's farmers, construction workers, plant employees and other bio-fuel product industry will thrive from the production and use of renewable fuels. Our neighbors in Minnesota and Iowa have benefited greatly with the construction of ethanol plants. We would like to see workers in our state reap the same benefits.

According to the Wisconsin Bio Industry Alliance, ethanol production created over 160,000 jobs and added \$41.9 billion of gross output to the U.S. Economy. In Wisconsin, an average ethanol plant creates 40 full-time, high-paying jobs. Construction of a new ethanol plant would employ nearly 100 skilled pipe trades people alone, and provide a one-time boost of \$112 million to the local economy.

This is just part of the economic value that ethanol and the bio-fuels manufacturing industry will provide to the state of Wisconsin, a value that will be a cornerstone for future economic growth and prosperity for the citizens of Wisconsin.

AB 682 encourages energy independence. Relief from gas prices is nowhere in sight, and oil prices are reaching \$100 a barrel. Most of our oil comes from the Middle East, with the U.S. importing over 10 million barrels of crude oil a day. In 2006 the U.S. produced 4.9 billion gallons of ethanol, which displaced 206 million barrels of oil. Wisconsin has the ability and workforce to add to this number; there is no time like the present to enact this legislation.

AB 682 has the opportunity to create jobs; boost Wisconsin's economy; reduce our dependence on foreign oil; help the environment; and ultimately leave Wisconsin in a better position than it is today.

On behalf of all of our members statewide, I encourage your support of AB 682. Thank you and I would be happy to address any questions at this time.

**Testimony to the Wisconsin State Assembly
Committee on Biofuels and Sustainable Energy
In Support of Assembly Bill 682**

Bob Sather – Board Chair, Ace Ethanol and President, Wisconsin Bio Industry Alliance

Good morning Committee Members:

My Name is Bob Sather and I am the president of the Wisconsin Bio Industry Alliance and Chair of Ace Ethanol Board of Directors. My Home address is 11010 161st Street, Chippewa Falls, WI 54729.

The central theme of my remarks will be about the myths regarding bio-fuels in general and ethanol in particular, but permit me to preface my comments with this statement:

We are currently importing about 2/3 of our oil consumption, and a great deal of that comes from countries such as Saudi Arabia, Nigeria and Venezuela with Iran exporting its oil to other countries. This global pool of oil is vulnerable to disruptive and unstable governments that could close the spigot to the world's addiction and dependency on oil. Additionally, oil at \$100 a barrel means that we are increasing our trade deficit each day by about one billion dollars just for oil. We are losing equity in this country a billion dollars each and every day.

The bill before this committee today will not solve our energy crisis in total but it is a step in the right direction in moving toward energy independence. Citizens of the state should be proud of this bipartisan effort.

MYTH OR FACT:

- Myth: Ethanol uses too much water -
- FACT: The US Environmental Protection Agency, Division of Water Quality cites - it takes about 3 gallons of water to make a gallon of ethanol. However, it takes 44 gallons of water to produce a gallon of gasoline and we refine a great deal of gasoline in this country. It takes 11.6 gallons of water in processing one chicken and one gallon of water for each quarter pound of hamburger. Also, a midsize ethanol plant (40 million gallons per annum) consumes about the same amount of water as a municipal golf course- and provides much more economic and social benefits.
- Myth: Ethanol is energy negative because it takes more BTU's to make ethanol than we get in the produced ethanol -
- FACT: Recent independent studies by Argonne National Laboratory and verified by USDA together with some 7 additional studies find that ethanol creates 60% more energy than it takes to make it. The same study shows that producing gasoline is energy negative by 20%.
- Myth: Ethanol producers receive a federal subsidy of 51 cents per gallon of tax credits -
- FACT: The blenders who are for the most part "Big Oil" that blend the fuel are the recipients of the 51 cents per gallon of tax credits. Ace Ethanol in Stanley has never received a penny of the blenders' tax credit. Speaking of subsidies, the federal tax credit received for blending ethanol pales in comparison to the hundreds of billions of dollars that "Big Oil" receives in federal tax credits for depletion and deep water drilling allowances.
- Myth: Ethanol is protected by 54 cents a gallon tariff on imported ethanol -
- FACT: Brazil and other countries that export ethanol to the United States receive the same 51 cents a gallon of blenders' tax credit from you, the tax payer, as received by USA ethanol producers'. Accordingly, the tariff is a tax credit off-set against imported ethanol. Why should US tax payers subsidize imported Brazilian ethanol when the Brazilian Government has already heavily subsidized ethanol production?

- Myth: Ethanol Production is the primary reason for higher food costs because too much corn is used –
- FACT: A recent study by Informa, an independent economic research firm found that because of the high cost of crude oil it accounts for nearly all the recent increased cost for high food prices whereas crop products account for only about 4% of recent increased costs.
- Myth: Ethanol does little to improve the environment –
- FACT: Ethanol reduces greenhouse emissions by 29 percent compared to the equivalent gallon of gasoline. New technologies and new feed stocks could yield reductions of nearly 90 percent. Further, the US Department of Energy cites the use of 5 billion gallons of ethanol in motor cars in 2006 has reduced gas emissions the equivalent of removing more than 1.2 million cars from American roads.
- Myth: Ethanol is responsible for the current corn shortage –
- FACT: USDA estimated the 2007 corn crop to be more than 13 billion bushels. The ethanol industry used about 2.3 billion bushels or about 16 percent of the nations corn supply. The National Corn Growers Association projects that ethanol demand for corn and corn supply will continue on an even trend because of yearly increased corn yields through genetic improvements. On average, yields have increased by 3.5 bushels per acre per year since 1995. Based on historical data, the NCGA predicts corn yields have increased to about 180 bushels per acre by 2015 compared to 150 bushels per acre in 2006. Corn is a global commodity that has been surging in demand due to international droughts, a weak dollar and third world countries' such as India and China increased demand.
- Myth: Ethanol is bad for your car engine.
- Fact: Every major automaker in the world approves the use of E-10 Unleaded gasoline under warranty. Additionally, ethanol adds about 3 points of octane to gasoline helping to improve engine performance. Ethanol helps keep injectors clean and at the same time it lowers the levels of toxic exhaust emissions. And now new research shows that midlevel ethanol blends (20% to 30%) can improve fuel mileage.



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DATE: January 16, 2008
TO: Members, Assembly Committee on Biofuels and Sustainable Energy
Members, Senate Committee on Campaign Finance Reform, Rural Issues
and Information Technology
FROM: Matt Hauser, Director of Government Affairs
RE: Assembly Bill 682 and Senate Bill 381

The Wisconsin Petroleum Marketers and Convenience Store Association (WPMCA) represents over 2000 independent stations and stores. Stations and stores owned by WPMCA members account for more than one-half the entire volume of motor vehicle fuel sold in Wisconsin as well as nearly two-thirds of farm fuel and home heating oil sales.

WPMCA is opposed to Assembly Bill 682 and Senate Bill 380 as presently drafted. We appreciate the authors' interest in having more motor vehicle fuel available as an alternative to imported oil. We are committed to offering our customers a high quality product at a competitive price. We believe this legislation misses the mark.

We have been partners for marketing alternative fuels since Gasohol in the '70s. Our guess is the majority of our members are blending conventional gasoline with ethanol (E10) today because of the consumer price advantages of doing so. This legislation requires they offer E10 even when the current economic benefit disappears.

Retailers may no longer have the choice to offer their customers the lowest cost product. The State of Missouri requires the use of E10 only when the price of E10 is the same or less than the price of unblended fuel at the fuel terminal to shield consumers from higher than necessary motor fuel prices that may result from a renewable fuel mandate.

We appreciate State efforts to provide renewable fuel infra-structure grants. Our members have invested hundreds of thousands of dollars in E85 infra-structure and related dispensing equipment only to see the dispenser sit idle and the tank remain full.

According to statistics from the Wisconsin Office of Energy Independence, 2007 Annual Report, there are approximately 128,500 E85 titled vehicles in Wisconsin and E85 consumption was approximately 2.3 million gallons—the average E85 consumption per licensed E85 vehicle was less than 18 gallons—approximately 1 tank fill.

You can require retailers to market a product, at a cost to the retailer, but it's more difficult to convince consumers to purchase the product. If consumers are unwilling to accept fuel blends with higher concentrations of ethanol, the renewable fuel standards in this bill are unattainable. To promote sales of E85, the State of Iowa provides an E85 Promotion Tax Credit equal to 25 cents per gallon for the first three years of the promotion.

We believe it was the author's intent to apply the RFS to the "refiner" or major oil companies. We are concerned the definition of "refiner" will apply to Wisconsin based businesses that have made substantial investments in Wisconsin's fuel supply and distribution infra-structure.

Given the relatively short notice for this public hearing, we have not had time to thoroughly review how this proposal coordinates with the recently passed federal RFS. The Federal RFS follows a timeframe that is different from this bill and the standard is expressed in gallons versus a percentage of state fuel sales. Further, we are uncertain as to how the credit trading program outlined in this legislation will compliment the federal credit program.

The bill establishes a diesel retailer must sell a minimum of 5 percent Biodiesel (B5) or be subject to penalties. We do not understand the authors' intent to apply one RFS to refiners and another RFS (diesel fuel specific) to retailers.

A Biodiesel mandate at the retail level is as unworkable as an E10 mandate at the retail level. Retailers purchase what is made available from their suppliers and are generally under contract with major oil companies—they can't control the price and supply of Biodiesel.

We understand Biodiesel is in relative limited supply and presently costs \$1 more per gallon than diesel fuel. At present prices, a B5 mandate will increase the price consumers pay for diesel fuel 5 cents per gallon. We are concerned the aggressive federal RFS for Biodiesel will increase this pricing disparity.

Truck stops and other stations operating in highly competitive markets along Wisconsin's border will lose diesel sales to neighboring states. Truckers may choose to skip the State all together. Wisconsin businesses lose income and the State loses needed gas tax revenue.

WPMCA has actively participated in discussions related to Wisconsin's Biodiesel Industry. We have no quarrels with Biodiesel. We support industry efforts to establish a Biodiesel fuel quality standard meeting ASTM 6751. We support industry efforts encouraging the State to provide tax credits to incent the development of distribution infrastructure within the state and to increase consumption of Biodiesel in the state.

The National Biodiesel Board lists only 15 retail fueling sites for biodiesel in Wisconsin and it is our understanding Biodiesel is not available from terminals in the Eau Claire area. Clearly it is premature to mandate B5 at this time. Again, we need only to look to our neighbors in Iowa who provide retailers whose diesel sales are at least 50% Biodiesel (B2 and higher blends) a 3 cent per gallon tax credit on each gallon of B2 or higher blend sold.

On behalf of the WPMCA Board of Directors and members, I respectfully ask you to consider our concerns and suggestions as you review Assembly Bill 682 and Senate Bill 380. Thank you for taking the time to consider our thoughts. Should you have any questions, please do not hesitate to contact me at (608) 256-7555 or hauser@wpmca.org



State of Wisconsin
Jim Doyle, Governor

Office of Energy Independence
Judy Ziewacz, Director

Statement on AB 682/SB380
By Judy Ziewacz, Executive Director
Office of Energy Independence

Before the
Assembly Committee on Biofuels and Sustainable Energy
January 16, 2008

Chair Hahn and Members:

Governor Doyle's Executive Order #192 tasks the Office of Energy Independence with moving Wisconsin toward obtaining 25% of our transportation fuels and 25% of our power from renewable sources by 2025. This 25 x 25 goal was reaffirmed in the recent state budget law.

We want to commend Representative Suder and Senator Kreitlow, as well as the bi-partisan group of co-sponsors from each house, for collaborating on this legislation. We believe the concept of this bill is a good one, it is right for the state.

Approximately 5% of the 2.384 billion gallons of motor fuel currently sold in Wisconsin is from renewable sources. If this law were in effective today, we would be selling 596 million gallons of ethanol instead of the current 130 million gallons.

Our *Wisconsin Energy Statistics* report, which tracks energy use and prices, indicates that in 2006 Wisconsin citizens sent almost \$10.5 billion out of state to purchase petroleum. If this law had been in effect, we would have retained \$2.62 billion for Wisconsin economy.

Spending will certainly surpass that value in 2007. Just the **change** in the cost of petroleum during 2006 was *\$1.1 billion* dollars when a barrel of oil increased, an average, from \$60 to \$90. Since 66.1% of our petroleum is now imported from a foreign country, that is money in the pockets of foreign interests rather than Wisconsin producers. That percentage will continue to grow every year unless we can find a way to produce, market, and use more fuel produced here in Wisconsin.

The goal of "25 x 25" is critical because the alternative—continuing to enrich foreign interests, seeing our currency depreciate, and being held hostage to imported energy—is not sustainable or beneficial to Wisconsin's economy. A dollar spent on biofuels stays here in Wisconsin where it can circulate in our communities to invest in jobs, buildings and equipment, and become part of the local tax base.

Across Wisconsin, there is growing support for and awareness that Wisconsin businesses, industries, farmers, and landowners can and should have the opportunity to produce biofuels. As recently as Monday morning (January 14, 2008), a major Wisconsin employer, General Motors, announced a new commitment to biofuels production. Governor Doyle asked our office to pursue opportunities that will attract new biofuels production facilities to our state, such as the facility that GM's partner, Coskata, intends to place somewhere in the Midwest.

Biofuels production and markets must work hand in hand, however. This legislation complements the new federal biofuels blending requirements contained in the federal energy legislation passed by Congress last month.

Therefore, we urge the Committee to give favorable consideration to this bill.

January 15, 2008

VIA E-MAIL

The Honorable Eugene Hahn
Chair
Assembly Biofuels and Sustainable Energy Committee
Wisconsin Assembly
Madison, WI 53708

Re: EMA Opposition to Assembly Bill 682

Dear Chairman Hahn:

The Engine Manufacturers Association (EMA) is the trade association representing the major international manufacturers of internal combustion engines including those compression-ignition, diesel-fueled engines used in on-highway and nonroad equipment as well as spark-ignited gasoline-fueled engines used in ground care and utility equipment. In fact, several of our 29 member companies are based in Wisconsin.

EMA and its member companies support the introduction and use of sustainable and renewable biomass fuels provided that such fuels meet applicable specifications and are fully compatible with existing and future engine and emissions control technology. We have worked to support national and international standards for biodiesel fuel as well as studies needed to assess the impact of ethanol blends on engines and emissions.

In reviewing Assembly Bill 682 that is before your committee, we are concerned that certain provisions of the bill are contrary to good public policy and the successful transition to renewable biofuels. For that reason, we strongly recommend that the bill not be approved by your committee in its present form.

Specifically, we see the following issues with the proposed legislation:

- The bill allows the Department of Agriculture to adopt and approve "any fuel that can substitute for petroleum-based diesel fuel" as biodiesel fuel. Today's diesel engines must meet high performance and strict emissions standards and require the use of high quality fuels. Engine manufacturers only approve the use of biodiesel fuels meeting applicable ASTM specifications in their engines. The State of Wisconsin should only allow the use of biodiesel fuels that meet ASTM 6751 specifications and the soon to be adopted biodiesel blend specifications. New biomass-derived diesel fuels are being developed and evaluated on an ongoing basis. Fuels that have not been approved by engine manufacturers can harm the engine as well as damage emissions control systems.

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- The legislation does not specify maximum biodiesel fuel content but simply establishes a mandate for retailers to sell a certain volume of biodiesel fuel. EMA currently recommends that a maximum 5% biodiesel content (B5) be used. The bill language would allow, and perhaps promote, the sale of B100 or other high blends and will create an unequal and varied diesel fuel composition and quality throughout the state. This will have a negative impact on vehicle and equipment owners, engines and emissions. A consistent, high quality, low-blend biodiesel fuel throughout the state is a more desirable outcome.
- Similarly, the proposed legislation requires an increase in the ethanol content of gasoline in the state. This has the potential to cause damage to the many existing and future spark-ignited engines that are used throughout Wisconsin. Ethanol levels above 10% are not compatible with current spark-ignited engines unless they were specifically designed and manufactured to run on fuels with high ethanol content (e.g., E85 flexfuel vehicles). The poorly constructed language again places no restrictions or parameters on the maximum ethanol content of gasoline available for general use and will create an unacceptable degree of variability.
- Finally, the method to calculate the percentage of renewable fuel sold does not appear to be valid since it requires the use of all renewable fuels (including biodiesel) but does not include diesel fuel as a component of the total average volume of motor vehicle fuel.

Mr. Chairman, engine manufacturers are working to address the issues of renewable fuels on a national level, and several important initiatives were adopted in the 2007 Energy Bill passed by Congress and signed by the President. Since engines, equipment, and vehicles are manufactured centrally and marketed and used throughout the nation, EMA believes that it is imperative that all fuels conform to national standards. The Energy Bill has a number of provisions to increase the use of biofuels and renewable fuels while requiring needed quality standards and national consistency. The bill also includes an important study to determine the effects of mid-level ethanol blends on engines and emissions, a call for national biodiesel standards and specifications, and several other initiatives to ensure engine and emissions control compatibility and increase the use of high quality renewable fuels.

Until those important studies are completed, we believe it is premature for Wisconsin to move forward with Assembly Bill 682, especially in its present form. EMA stands ready to work with your committee and the authors to help Wisconsin address the renewable fuels issue where appropriate.

Sincerely,

Joseph L. Suchecki

Joseph L. Suchecki
Director, Public Affairs

CC: Biofuels and Sustainable Energy Committee Members